

June 10, 2003

I want to take this opportunity to update you on my efforts to better support local manufacturers. As you are well aware, small and medium sized manufacturers have suffered what can only be described as a “perfect storm” of economic crises. The relatively shallow recession we experienced in 2000 was followed closely by the disruption of the aerospace industry by the events of September 11 and the disruption of power plant orders caused by the collapse of Enron. The impact of these events was compounded by the steel tariff decision, which so heavily impacted steel users, and by stiff competition from imports, particularly products from China. The results have been devastating to manufacturing in my district and throughout similar areas of our country. We can’t stand idle while small and mid size manufactures struggle for their very survival.

In this rather lengthy letter, I will report on meetings that I arranged between manufacturers and representatives of the Department of Commerce and the office of the U.S. Trade Representative. I will lay out some steps that we need to take that require your input. I will also summarize the actions that I have taken to date that will strengthen manufacturing and help to improve your competitive position in the world market. If you don’t want to read the entire text, please skip to the bulleted sections. Your input is crucial!

On May 20, fifteen small manufacturers responded to my invitation to come down to Washington, D.C. to meet with representatives from the Department of Commerce and the U.S. Trade Representative’s office to discuss the plight of manufacturing. Those attending represented an excellent cross section of manufacturing ranging from metal finishing to electrical products. Although they are each fighting independent battles to stay in business, they share many common problems. The administration officials that were present listened to their concerns, offered some useful suggestions, and discussed two studies they are conducting that cover some of the issues we raised. Our comments proved to be timely and of great interest to them.

During the morning session, the group met with representatives from the Department of Commerce including Linda Conlin, Assistant Secretary for Trade Development, and Joe Bogosian, Deputy Assistant Secretary for Transportation and Machinery. The group collectively spoke of the hardship imposed by the steel tariff, as it has raised their prices and further reduced their competitiveness with Chinese producers. All reported losing customers to foreign suppliers, mostly Chinese.

Secretary Conlin responded that the International Trade Commission (ITC) is investigating the problems faced by domestic steel users. The ITC is gathering evidence and will host a formal hearing into the matter on June 18. She invited all that were interested to submit comments. At the conclusion of the study, if the claims of the users are supported, the ITC will make recommendations to amend our current policy.

The group also expressed frustration with the business practices of our nation’s prime contractors. As second and third tier suppliers, they are being required to absorb loses as contracts are abrogated,

deliveries delayed indefinitely, and consignment inventory systems adopted. Most small companies don't have the capital to absorb such losses. Secretary Bogosian was very receptive to participants' comments and told the group that the Department of Commerce is conducting a nationwide survey of small and medium manufacturers to understand the most pressing problems facing our domestic manufacturers. The results of this survey will be compiled in an as yet unnamed report that will make broad policy recommendations to the U.S. Congress.

In the afternoon the group met with Charles Freeman, Assistant U.S. Trade Representative for East Asia, and Greg Walters, the Small Business Liaison with the USTR. The USTR is the office that is responsible for negotiating our trade pacts with other nations as well as monitoring the implementation of those treaties. After listening to a number of stories of businesses that are threatened by shoddy Chinese counterfeits, he told the group that substantiated incidents of patent violation can be dealt with by the USTR. It is easier to stem the flood of fraudulent goods at the source, than to stop goods at our borders. Counterfeiting is a serious threat to our manufacturers and it was clear from the meeting that we can take concrete steps to stop it.

Mr. Freeman and Mr. Walters also discussed that the administration is interested in opening up foreign markets to our smaller companies. They recognize how difficult it has been for small businesses to break into foreign countries and outlined some of the resources our embassies have to help small businesses. He encouraged the group to take advantage of the resources in the Department of Commerce, the Small Business Administration, and the USTR to build overseas business. If there is sufficient interest, I will organize a forum of presenters and workshops to help small manufacturers export as I have done in the past in other areas of my district.

The May 20 meeting was just the beginning of a concerted effort on my part to ensure that the voices of small and medium manufacturers are heard by the administration and Congress. I need your help to continue our progress. There are many like-minded members of Congress with similar concerns about manufacturing, and we are developing a multifaceted strategy to strengthen support for manufacturing. But we need to work together to succeed.

The following is a brief list of what we hope to accomplish over the next few months and what input you need to provide:

- Continue to press the administration for relief from the steel tariff. The International Trade Commission has scheduled a June 18 hearing on the impact of the tariff with respect to steel users. I intend to testify and I am encouraging people to submit their own written testimony to the commission. Testimony should be sent to by June 19 to:
Marilyn Abbott, Clerk of the International Trade Commission
International Trade Commission
500 E St. SW
Washington, D.C. 20436
- Collect information to back claims of a steep rise in Chinese imports. Our trade laws allow us to protect domestic companies from a surge in foreign-made products. However, the claims need to be validated in order for the government to take action. Please write us with your observations as to the products and volume of imports compromising our American manufacturers. We will

forward your letter to the National Association of Manufacturers. They are going to seek similar input from other regions of our country. Together, we hope to enable NAM to petition for surge protection.

- Collect information related to patent infringement and counterfeiting by Chinese companies. The USTR has the capability and the authority to demand that the Chinese government close factories that are manufacturing counterfeit American products. I can be helpful to constituents by working directly with the USTR and the Chinese Ambassador to speed relief.
- Investigate the Consumer Product Safety Commission's effectiveness in enforcing our product standards. We do not believe that many Chinese-made electrical products pass the rigorous UL tests that all American products must pass.
- Request the Armed Services Committee hold hearings on the enforcement of the "Buy American" provisions in our defense procurement laws. I am hearing many reports of components for defense equipment being imported. I need as much concrete information on this issue as possible. Recently, the French rejected a Pratt & Whitney bid that was 20% below a European engine manufacturer. They could do that because it was a defense purchase. Our laws are similar and we must enforce them, if all tiers of manufacturing are to be healthy.
- Request that the House Small Business Committee hold hearings investigating the business practices of large domestic manufacturers and how these practices affect the viability and sustainability of our second and third tier manufacturers.

In addition to the actions outlined above, I have written Secretary of the Treasury John Snow regarding China's policy to fix their currency to the dollar. I am anxious to hear a response from the administration. I should also mention that the recently passed Jobs and Growth bill includes some of the most generous incentives for investment that have ever been adopted by Congress. They were not in the president's original tax bill, but came as the result of the concern many members on the Ways and Means Committee have with the tremendous challenges our manufacturers are facing.

Thank you for bringing these issues to my attention and being willing to put in the time necessary to be heard in Washington. Please write to the ITC regarding your experience under the steel tariff and please contact me regarding Chinese imports and patent infringement.

Very truly yours,

Nancy L. Johnson

P.S. The recent Department of Defense Authorization bill included some language that will dramatically strengthen our "Buy America" laws. I will lobby hard for them but it will help if you write our Senators to insist on their support for this provision in the final bill! Thanks.